

Exhibit G



December 5, 2019

What Are the Larger Implications of Ex Libris Buying Innovative?



Roger C. Schonfeld

Earlier today, news began leaking out that [Ex Libris will purchase Innovative Interfaces](#), one of its largest competitors. The deal, which is expected to close in early 2020, further cements Ex Libris as the leader in the library systems marketplace and can be expected to put added pressure on OCLC. It will also raise concerns about Ex Libris's dominant market position.

Library Systems

Ex Libris's core business is in library systems, including its flagship cloud-based platform Alma. Ex Libris's strengths have been in higher education globally, and in recent years it has been moving into adjacent spaces such as supporting course readings and the research enterprise (in the latter area, S+R provided them with some facilitation and advisory services earlier this year). Ex Libris is owned by ProQuest, which has a variety of content businesses, including aggregations of journals, books, theses, and primary source material, with an audience quite a bit larger than higher education.

Innovative provides a number of library systems, currently marketing both Sierra and Polaris. Its strengths have been with public, special, and smaller academic libraries. This sale represents an exit for its private equity owners.

This deal itself is ultimately about the public library market. Ex Libris has a remarkable 69% market share in terms of library systems installs among the membership of the Association of Research Libraries, which grows to 84% in combination with Innovative. Among the peer competitor group of Ex Libris, Innovative, OCLC, and SirsiDynix, according to data from Library Technology Guides, Ex Libris has 49% of the academic market overall but only 6% of the public library market. It is successfully transitioning its academic business to the cloud with Alma but it does not seem to have found a transition path for its public library business, which is almost entirely comprised of the legacy Aleph system. By adding Innovative, Ex Libris will grow its combined market share for academic libraries to 72% but more importantly for public libraries it grows to 54%. If this deal closes, it leaves a combined Ex Libris – Innovative with the strongest portfolio in terms of installs (and almost certainly in terms of sales) in both academic and public libraries.

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BLOG POST

October 6, 2015

What Are the Larger Implications of ProQuest's Acquisition of Ex Libris?

Roger C. Schonfeld

BLOG POST

June 9, 2022

Academic Libraries' Streaming Media Trends in the US and Canada

RESEARCH REPORT

The current game has been transitioning all customers away from locally hosted solutions and to the cloud. This not only offers more modern architecture, but as a result it enables more efficient library operations and more effective collaborations. But, while Ex Libris has built a strong cloud offering in Alma, Innovative has not. It has struggled in the transition to the cloud and has largely been shedding customers to its competitors. Even if Innovative is managed as a separate business unit within Ex Libris for the immediate future, it seems likely that its cloud business will be staffed and organized in a more integrated fashion as it develops.

Ex Libris leaders' decision to move to acquire the public library market under these circumstances is noteworthy. It has not as yet developed Alma in the public library market, where its position has therefore been eroding to some degree. Now, Ex Libris leaders anticipate meaningful economies of scale running a cloud-based business serving both public and academic libraries. Whether these economies of scale on the back-end can be realized without compromising the different product requirements in the two sectors is a very important issue to follow.

OCLC

Simply put, this deal is bad news for OCLC, capping a year of growing competition for OCLC from Ex Libris. OCLC's WorldShare cloud system has yet to achieve critical mass, amounting to 10% of the academic market (but only 4% of ARL), and OCLC's entire public library business represents just 10% of the public library market. Scale matters, not just from a business perspective but in order to enable the kinds of interoperation at a peer and consortial level that is a key focus area for many libraries. It would be surprising if OCLC did not attempt to acquire Innovative, which would lead to the likely conclusion that it was outbid.

The biggest shift to the competitive landscape is that there will be a strong cloud upgrade path for Innovative libraries. OCLC and Ex Libris had been steadily picking off Innovative's academic

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systems, that would be interesting indeed.

Over time, the consolidation of the systems market and the increasingly clear dominance of one firm can be interpreted in a variety of ways and can have a variety of implications. In the near term, this deal has the effect of saving Innovative and providing a path forward for its customers. For OCLC, this only strengthens the competition it faces and raises questions about its medium term strategy. For the academic market, to the extent that Ex Libris positions the library's platforms to serve a wider set of institutional needs, that might be good news from a library perspective. Yet, insofar as a company gains so much market share that it is more focused on growth in adjacent market rather than continuing to innovate the core business, that would be a deep concern.

Topics: Collections and preservation, Discovery and access, Libraries

Tags: ExLibris, Integrated library systems



Pingbacks

December 6, 2019

[Library Systems: Ex Libris Announces Agreement to Acquire Innovative | LJ infoDOCKET](#)

December 11, 2019

[Ex Libris kauft Innovative | digithek blog](#)

December 16, 2019

[Libraries Update – Week of 12/9 – Colby Libraries Staff Intranet](#)

February 24, 2020

["Recenter Library Systems on the User": An Interview with OhioLINK's Gwen Evans - The Scholarly Kitchen](#)

March 6, 2020

["Recenter Library Systems on the User": An Interview with OhioLINK's Gwen Evans | Book-a-Lot](#)

Comments

Kathy Dempsey December 9, 2019

Don't forget that OCLC is on the verge of releasing its own ILS called OCLC Wise (<https://www.oclc.org/en/wise.html>).

They call it a "community engagement system" since it's a hybrid, but what it boils down to (to me after discussions w/ OCLC) is this: It's a new breed of ILS that's more focused on patron interaction & data, not solely focused on collection data. It's meant to help public libraries manage their collections via data about patrons'

library business in the shift to the cloud. Now, we can probably count on Ex Libris to ensure that there is a direct upgrade path internally to the combined company. To grow, OCLC will need to focus now on picking off SirsiDynix customers.

Competition among library systems providers has been changing in nature and expanding beyond the core ILS, in some specific ways that target OCLC. In that sense, another aspect of this deal that may prove to be interesting over time is the place of SkyRiver, which is now part of Innovative having been set up some years ago to compete against OCLC in the bibliographic utility space. SkyRiver as part of Innovative probably only had so large it could grow, but integrated into the Ex Libris product portfolio it may prove to be a bigger threat to OCLC's core business.

In recent months, Ex Libris also acquired RapidILL, indicating its determination to provide a more complete resource sharing offering. Resource sharing is another business area of strength for OCLC.

Over time, although SkyRiver and RapidILL may remain independent offerings, they will surely be integrated into the broader cataloging, acquisitions, and resource sharing offerings of Ex Libris, further strengthening Alma in the systems market.

Longer Term

Over time, there are a number of other considerations to track that could result from this deal over the longer term.

EBSCO is in many ways ProQuest's most direct competitor, and while the overlap is greatest in the content businesses there is also important systems overlap as well. In fact, when EBSCO was unable to acquire Ex Libris, it launched the open source alternative FOLIO. Only now is FOLIO beginning to come online at a handful of libraries, and its growth path remains unclear. When it comes to ebooks and book acquisition, systems integration is proving to be important. When it comes to aggregators and other alternative sources for content, as [the recent GetFTR news](#) suggests, controlling the discovery starting point is vital. One might not have expected EBSCO to seek to acquire Innovative, but even so its combination with Ex Libris is definitely notable for EBSCO in an environment in which content and systems are blending together.

In recent years, Ex Libris has been extending its reach beyond the library, with products that address course materials, research management/repository, and university portas. This has positioned it as beginning to compete with another category of companies, such as RIM/CRIS providers, course management system providers, and so forth. While the competition is not head to head, it is growing, with interesting implications for the library's role on campus to the extent that its platforms begin to serve a broader set of institutional needs. To the extent that a similar model might develop for public libraries, of beginning to seek to serve needs beyond traditional library

needs. It could be a game-changer.

[Reply](#)

Brinley Franklin December 9, 2019

Nice analysis, Roger. One can only hope Ex Libris/Innovative responds to its customers requests for more up-to-date systems architecture and features while also expanding its public library clients. A merger that would never have been approved 20 years ago will likely get approved without a second thought in today's environment.

My best,

Brinley

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